

LABOUR IMPACT OF TTIP/CETA: CONTROVERSIAL TRENDS IN EMPLOYMENT AND REDUCTION OF LABOUR STANDARDS

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Summary

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 2. Possible labour implications of CETA and TTIP
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1. Introduction: trade agreements and labour rights a long & not successful relationship

- The beginning: **Havana Charter** for an ITO: *non nata* “social clause”
- **NAFTA**: *North American Agreement on Labor Cooperation* (NAALC)
- **Canada**: social clauses and side agreements
- **EU** Trade strategy and labour (since 2001):
 - EU's integration in the global economy through increased trade generates more and better paid Jobs
 - BUT the costs of adjustment in particular areas or sectors can be high, and so we need to help workers and businesses adjust.
 - The EC should promote an ambitious and innovative sustainable development chapter [sustainable development labour and trade] in all trade and investment agreements

1. Introduction: trade agreements and labour rights a long & not successful relationship

- More than 80% of Free Trade Agreement include some kind of «social clause» (mostly are non binding or have not been implemented)
- New generation agreements include a “labour and development” chapter: Korea, CETA, TTIP...
- **EU-Canada Trade Negotiating Mandate:**
 - The parties shall not encourage trade or foreign direct investment by lowering domestic labour legislation
 - Nothing in the Agreement should prevent the Parties from applying their national laws provided that, in doing so, they do not nullify or impair the benefits accruing from the Agreement.
 - The Agreement will include mechanisms to support the promotion of decent work through effective domestic implementation of ILO core labour standards

2. Social clauses in trade agreements: insufficiencies (the CETA case)

CETA Chapter 23: « trade and labour »

- Wide declarations and objectives
- Wide recognition of the right to regulate and to establish different levels of protection
- Recognition of the commitments under the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up of 1998 + ILO Decent Work Agenda + ILO Declaration on Social Justice for a Fair Globalization of 2008
- Wide contents (BUT also national competences): “each Party shall promote compliance with and shall effectively enforce its labour law”
- Weak dispute resolution mechanism: Committee on Trade and Sustainable Development + consultation procedures + panel of experts
- **BUT:** no enforcement mechanism (not really binding) + lower level of ratifications of ILO conventions

2. Social clauses in trade agreements: insufficiencies (the CETA case)

Social chapter in CETA and TTIP: Problems and shortcomings

- Non respect of subsidiarity principle. Invasion of MS fields of competence (Labour inspection)
- Different level of ratification of ILO conventions:
 - Canada: only 6 of the core 8, and not all priority
 - US: only 2 of the core 8, only 14 in total
 - EU: heterogeneous area (Spain 55, Finland 61, UK 29)
- Creating a "Committee on Trade and Sustainable Development" and panels to resolve disputes: problems

3. The impact of TTIP on employment

Quantitative aspects:

- 1. Reports and counter-reports**
- 2. "Official" speech: direct benefits for SMEs.**

Myths about the benefits for SMEs

3. The impact of TTIP on employment:

3.1. Reports and counter-reports

Table 1: Increase in bilateral and net exports by 2027

	CEPR		CEPII		Ecorys	
	Bilateral Exports	Net increase	Bilateral Exports	Net increase	Bilateral Exports	Net increase
EU	28.0%	5.9%	48.0%	7.6%	2.1%	0.9%
US	36.6%	8.0%	52.0%	10.1%	6.1%	2.7%

Table 2: GDP increases by 2027

	Ecorys	CEPR	CEPII
EU	0.34%	0.49%	0.30%
US	0.13%	0.40%	0.30%

3. The impact of TTIP on employment:

3.1. Reports and counter-reports

« The counter-report: Capaldo»

Units	Net Exports % GDP	GDP Growth Diff between %	Employment Thousands	Empl. Income EUR/employee	Net Taxes % GDP	Depend. Ratio Diff between %
US	1.02	0.36	784,000	699	0.00	-0.97
United Kingdom	-0.95	-0.07	-3,000	-4245	-0.39	0.01
Germany	-1.14	-0.29	-134,000	-3402	-0.28	0.75
France	-1.90	-0.48	-130,000	-5518	-0.64	1.31
Italy	-0.36	-0.03	-3,000	-661	0.00	0.02
Other Northern Europe	-2.07	-0.50	-223,000	-4848	-0.34	1.33
Other Southern Europe	-0.70	-0.21	-90,000	-165	-0.01	0.33
EU Total			-583,000			

Own calculations based on United Nations Global Policy Model. Figures are simulated gains and losses for 2025. Net Taxes are indirect taxes minus subsidies. Dependency Ratio is defined as ratio of total population to employed population.

3. The impact of TTIP on employment:

3.2. TTIP, SME and employment

□ SMEs in the EU: key features

- Definition (far from USA reality)
- EU SMEs 58% of Gross value added, USA 50%.
- Spanish micro enterprises are 93.9% of all businesses. USA 78.6% (size matters)
- 150,000 EU SMEs export to USA, worth 76,715 million Euros. It represents 27.7% of the total value of EU exports to USA

3. The impact of TTIP on employment:

3.2. TTIP, SME and employment

- Myth 1st. Increased Export opportunities. The solution to EU SMEs is to export to US, it is fostered by TTIP. Export effect against expulsion effect by big firms
- Myth 2nd. market opening of US Government or Public Procurement Market favors EU SMEs
- Myth 3rd. Improved information and opportunities (chapter SMEs). The TTIP will contain a chapter to "support SMEs" (document leaked on SMEs). Weak chapter
- Conclusion: Myths in a Phase of Capitalism monopolistic

4. Qualitative impact on labour rights

1. Official Impact Assessment of CETA and TTIP
2. Possible labour implications of CETA and TTIP
 - a) First pillar:
 - Social Dumping - Mode 4
 - Public procurement and reducing the possibility of social clauses
 - b) Second pillar: regulatory convergence and race to the bottom
 - c) Third pillar: Investment Court System ICS against the right to regulate (eg Veolia vs. Egypt)

4.1. Official Impact Assessment of CETA and TTIP

Sustainability Impact Assessment (2009)

- In both parties the CETA is similarly expected to lead to increased real wages (**How?**)
- Canada could see its standards and rights improved with respect to collective bargaining and freedom of association with provisions that require ratification of the ILO's Convention 98 (**How?/ When?**)
- The propensity of the Agreement to engender job creation and increased wages in the agriculture and fisheries sector is largely contingent on the level of liberalisation (and controversial) (**???**)
- It is **unclear** how expansion in agricultural employment (**???**) would impact quality and decency of work.
- In mining and metal: **wages may see limited downward movement** due to decreases in demand for labour in these sectors...

4.2. Possible labour implications of CETA and TTIP

- CETA: Consequences for employment and labour rights:
Qualitative consequences
 1. Services and Mode 4 (chapter 10): **social dumping**
 2. Public procurement (chapter 19): **no social clauses, no supporting measures for SME**
 3. Regulatory Cooperation (chapter 21): **reducing labour standards and danger of a race to the bottom**
 4. ICS (chapter 8, art. 8.18): **way to challenge labour regulations and collective agreements? (Art. 8.9 CETA)**

a) The first pillar: market access

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- Problems of Freedom to provide services for labour rights (Mode 4)
- Social Dumping (promoted)
- Country of Origin Principle
- USA labour rights and ILO Conventions: Anti-union practices in the US and European companies
- Problems arising from Government Procurement Chapter (via for self-reduction included in the 2014 Directive)

c) Second pillar: regulatory convergence (a race to the bottom)

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- The regulatory concept vs. NTB (Non-tariff barriers)
Concept
- Mechanisms: mutual recognition or Recognition of
Equivalence
- Problems
 - What common ground?: Using the minimum of the ILO and problems of
shortages ratification of ILO conventions.
 - The huge differences between USA-EU:
 - Employment at will: an employee can be dismissed by an employer for
any reason
 - Anti-union clauses
 - committees of regulatory cooperation (spread all around the Treaty)

c) The third pillar: the protection of foreign investment

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- **ISDS/ICS**
- **Problems with the right to regulate**
 - Labour standards (Veolia vs Egypt case)
 - Collective agreements
 - Questions from the EP to the Commission
 - It can affect the ISDS to collective agreements?
 - ISDS is compatible with EU Treaties?
 - Commission:
 - While they are not "discriminatory" no.
 - The notion of Fair and Equitable Treatment "has been limited"?

4. Conclusions

- Controversial effect on growth and employment (win-win?)
- Risk on employment in quantitative and qualitative terms
- Strategy for accelerating the shift of income from Labour to Capital
- The use of the supposed benefits on SMEs to legitimize treaties
- Use of social clauses as a way to try to legitimize treaties
- Insufficiency of the social clauses and even counterproductive effects